

MEMORANDUM

COUNCIL ON INTERNATIONAL ECONOMIC POLICY

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March 27, 1972

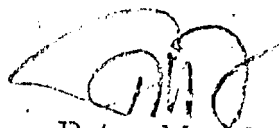
MEMORANDUM FOR:

The Secretary of State
The Secretary of Treasury
The Secretary of Defense
The Secretary of Agriculture
The Secretary of Commerce
The Secretary of Labor
Ambassador-at-Large David M. Kennedy
The Director, Office of Management & Budget
The Chairman, Council of Economic Advisers
The Special Representative for Trade
Negotiations
The Assistant to the President for Domestic
Affairs
The Assistant to the President for National
Security Affairs

SUBJECT:

Preparations for Forthcoming Trade
Negotiations

The President has asked that preparatory work on the forthcoming trade negotiations be undertaken as soon as possible and that specific responsibilities be assigned to various agencies. STR shall have responsibility for overall coordinating and reporting to CIEP on inter-agency activities related to trade negotiations during the preparatory and negotiating phases, and for insuring that CIEP guidance is implemented. The attached memorandum establishes an initial work program for this purpose, assigning responsibilities, reporting requirements and due dates.


Peter M. Flanigan
Executive Director

Attachment

cc: The Director, Central Intelligence Agency
The Chairman, Board of Governors of the Federal
Reserve System

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PREPARATION FOR 1973 NEGOTIATIONS

I. Immediate Requirements

A. Basic data for short-term analysis of current trade barriers and flows, and begin preparations of the more detailed data base (including tariffs, NTB's and other barriers) on which actual negotiations will eventually be conducted.

B. Collection of intelligence on foreign attitudes, sensitive industries or barriers, intentions in negotiations, and complaints against U.S.

C. Staffing pattern for U.S. analytical and negotiating teams.

D. Liaison plans for Congress, general public support, industry, agriculture, and labor.

E. List of possible and/or alternative U.S. objectives, by area.

F. Assignment of responsibilities and development of a schedule.

II. Data Base

Data are needed to fulfill four related purposes:

A. In order to make the case that negotiations are in our best interests and to guide our initial negotiating strategy, we need quickly to know more about the structure of trade and the more obvious barriers here and abroad.

B. To relate trade data to tariff and nontariff barriers and distortions and to develop our own priorities, as well as to identify our restrictions against which other countries will concentrate their efforts.

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C. To help identify sensitive U.S. sectors on which further work must be done to determine whether temporary market disruption arrangements and/or adjustment assistance might be required.

D. To permit analysis of various negotiating plans and formulas so as to assure that progress toward opening markets is as favorable to the U.S. as possible in each stage.

To begin work on these requirements:

A. Data for Short-Term Analysis

Commerce in consultation with Agriculture, the Federal Reserve, Tariff Commission and other interested agencies should assemble, on a country-by-country and sector-by-sector basis, the following data: (STR to coordinate and give necessary guidance. Preliminary report due to STR April 20 for transmittal to CIEP by April 25.)

1. Determine initially whether our short-term needs can best be met by (1) adapting the existing GATT Tariff Study materials, (2) combining available SITC data with GATT Tariff Study data, or (3) some other basis. On the basis chosen, it should then develop the following.
2. Average tariff levels for countries listed below as a whole and for sectors in each country.
3. Major NTB's or distortions, by country and sector.
4. Trade data for countries and sectors.
5. Sectors should be determined on the basis of economic criteria, but should not involve combining trade and tariff data (averages, frequency distributions, etc.) on so aggregate a level as to impair their meaning.

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6. The country detail should include the U.S., EC of 6, EC of 10, Japan, Canada, Switzerland, and Sweden. The sector detail should include at least the first five of these, plus (as regards U.S. country paper) at least two or three other major suppliers of U.S. imports and of markets for U.S. exports.

B. Data for Negotiations

1. STR will chair an interagency group to develop more detailed data on a BTN and TSUS basis on which negotiations will eventually be conducted. The trade and tariff data for each major trading partner should include tariff-line details on tariff rates, trade by major supplier, and GATT bindings. (Preliminary report due April 25).

2. The detail and format of both the short-term and the negotiating data bases must permit subsequent incorporation of major NTB's and other distortions, by country and by sector. Provision must also be made for incorporation of qualitative evaluation of them and for updating of the ad valorem equivalents for tariffs.

3. The same country detail as in the short-term analysis should be developed, as well as detail for any other principal U.S. suppliers and markets.

4. A consolidated data base for an enlarged EC must be developed which also retains the trade and tariff data of each of the Members prior to enlargement, as well as the U.S. export interests in each.

5. A scheme for testing possible negotiating plans and formulas must be developed.

6. Data Comparability. Commerce, in consultation with OMB and Labor, should submit a plan to CIEP (including staff, funding and time requirements) to make U.S. export and import data more fully compatible with the product categories of U.S. industrial, agricultural,

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and other domestic production and employment data. This should include a plan for concordance of U. S. export data to other countries' import and tariff data where necessary. (Due CIEP May 1).

7. Computer Requirements. OMB, in consultation with STR, should take the lead in preparing a report on the current computer capabilities and, in consultation with the interested agencies, the probable negotiating requirements within the U.S. Government for trade and tariff data, together with recommendations for needed improvements (and resource requirements). Its report should assess the strengths and weaknesses of computer use in prior negotiating efforts (e.g., the Kennedy Round); determine where our computer capabilities stand now and recommend what should be done to provide the best technical support to our negotiators. It would also be helpful if OMB were to recommend a process for compiling a computerized inventory of complaints against U.S. and foreign trade practices from either U.S. or foreign sources (the latter as regards mainly U.S. practices). (Due May 1 to CIEP).

8. NTB's. The existing interagency NTB Committee, chaired by STR will establish a plan and a timetable for bringing all available expertise to bear to evaluate the impact of removal of each major NTB in the GATT Inventory, both here and abroad. The scope should include those NTB's not now notified in the NTB Inventory. The plan should include: (preliminary report due May 1)

- a. Review and appraisal of the possible solutions previously examined in the five GATT NTB Working Parties, including other countries' attitudes and goals.
- b. Incorporating the judgments of agency commodity and geographic specialists, as well as private industry experts and possible public hearings.
- c. Review the U.S. position on each negotiable NTB and develop a strategy for negotiations.

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9. EC Enlargement. As part of its technical preparations for Article XXIV negotiations, STR will take the leadership in considering the effects and complications that EC enlargement will have on future multilateral negotiations. This should include appraisal of EC concessions which are based on trade and tariff data for 10 countries covering the period preceding enlargement but will be consolidated in the negotiations, the U.S. export potential in CXT concessions when the four new members are concurrently going to zero duties for the other members, and any tariff changes resulting from Article XXIV negotiations. It should also consider evaluation of offers by the EC and other countries having association or other preferential arrangements. Overall U.S. policy in handling these negotiations will be considered by the CIEP in the context of its Review of the Operations Group Study of the EC. (CIEPSM 19).

10. Export and Import Priorities. CEA in consultation with other agencies and, in particular, the Tariff Commission, should propose the common criteria which will guide the future interagency review of individual agency nominees for priority as either our most promising exports or our most sensitive imports. This would be in anticipation of a more detailed study from the Tariff Commission of particular sectors identified in accordance with these criteria. CEA should also prepare an initial report identifying about 20 products or product sectors (of both imports and exports) which meet the following criteria: (preliminary report to CIEP due May 1).

a. Export Potential

- (1) High levels of employment or production dispersed over large area of the U.S.
- (2) Removal of foreign barriers could result in a significant increase in U.S. exports (and a rough estimate of how much within 3 years).

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For such products, estimate the effect of the export increase on employment and indicate whether wages paid (or income earned) in the sector are higher, lower or about the same as industry (or agriculture) as a whole.

b. Import Sensitive

A similar calculation of about 20 import sensitive products or sectors should be identified with estimated results which the removal of U.S. barriers could be expected to produce.

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11. U.S. Export Interests. STR, in consultation with Agriculture, Commerce and Interior should submit a plan for developing priority lists of U.S. exports, based on the criteria initially developed under the CEA's guidance (see (6) above). The plan should include procedures for systematic consultations with private groups, public hearings, supporting justifications, and methods of establishing priorities, consistent with the requirement in (V) below. (Due May 1).

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IV. Staffing

STR should recommend a staffing pattern (including any personnel requirements by agency) for the U.S. analytical and negotiating teams (including staff requirements for both the 1973 negotiations and the Article XXIV negotiations). It should also include recommendations for the constitution, in Washington, of a nucleus of the 1973 team during 1972 to work on the pre-negotiation phase and identify any necessary staff increases in Geneva which may be required prior to the opening of formal negotiations. (Due CIEP April 20).

V. Liaison Plan

STR should prepare recommendations for a public and Congressional liaison and participation plan. It should include procedures and timing for: (Report due CIEP June 1).

- A. Public consultation and hearings prior to the opening of negotiations to provide an opportunity for interested public groups, industrial, agricultural and labor organizations to submit their views on the negotiations. Provision for these hearings will also have to be part of the legislative package we will propose to Congress.
- B. A plan of Congressional participation in the negotiations, as well as in the pre-negotiations phase.
- C. The nomination of "public members" to advise on the negotiations and their preparations. (Specific nominations not necessary at this time).
- D. Confidential liaison with industry.

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